

Office of the Inspector General, USDA Investigation Developments

> April 18, 2005 <

Former Community Nutrition Worker in Arizona Pleads Guilty to WIC Fraud (FNS)

During the week of April 4, 2005, a former community nutrition worker for the Maricopa County Department of Public Health and a Mesa, Arizona, woman each pled guilty to Arizona State felony charges. The OIG investigation revealed that the former Maricopa County employee created 11 fictitious Women, Infants, and Children's Program (WIC) files and issued 210 WIC checks totaling \$10,630. The employee and her accomplice used the checks to purchase powdered Enfamil formula and other WIC-approved food items. They then sold the powdered Enfamil formula to buyers and split the sales proceeds. The women were indicted in January 2005. Sentencing is scheduled for May 2005.

Portland (Oregon) Grocery Store Employee Pleads Guilty in WIC Funds Theft (FNS)

On April 7, 2005, a former bookkeeper for a grocery store chain in Portland, Oregon, pled guilty in U.S. district court to one count of Theft of Public Funds. The former store employee was arrested after the grocery store chain conducted an internal investigation, which determined that the bookkeeper altered redemption amounts on WIC vouchers presented to the store. During the subsequent OIG investigation, it was disclosed that the former employee altered the amounts on the WIC vouchers, tore-off the actual tendered amount, and kept the difference in cash. Her scheme resulted in a loss to USDA of \$92,000. She used the funds to pay for expenses associated with a house that she recently purchased. Sentencing is scheduled for June 15, 2005.

New Jersey Real Estate Appraiser Sentenced / Ordered to Pay \$130,000 for Conspiracy and False Statements in USDA-Guaranteed Loans (RD)

On April 1, 2005, a Barnegat, New Jersey, real estate appraiser was sentenced to serve 24 months in prison, 36 months of probation, and was ordered to pay a \$6,300 fine and \$130,495 in restitution. The OIG investigation revealed that the real estate appraiser provided appraisals for Rural Development guaranteed loans and was also the seller of the properties he appraised. The appraiser conspired with a mortgage broker by preparing and submitting fraudulent loan documentation to USDA and the U.S. Housing and Urban Development resulting in a loss of approximately \$300,000. In October 2004, the appraiser pled guilty in the U.S. District Court for the District of New Jersey to conspiracy and false statements charges. The mortgage broker had previously pled guilty and was sentenced in November 2004.

> April 6, 2005 <

South Dakota Producer Pleads Guilty to Conversion of Government Property (FSA)

On March 25, 2005, a Mobridge, South Dakota producer pled guilty to conversion of mortgaged property, valued at approximately \$61,000. The OIG investigation disclosed that between October 1999 and November 2002, the producer converted livestock that was pledged as security to the Farm Service Agency. The producer was indicted in September 2004, on charges of conversion of Government property. Sentencing is scheduled for July 25, 2005.

Indianapolis Daycare Operator to Pay \$4.4 Million and Sentenced for Fraud (FNS)

On March 28, 2005, an Indianapolis, Indiana daycare operator was sentenced to serve 50 months of incarceration, 36 months of supervised release and was ordered to pay \$4,459,624 in restitution. The OIG investigation disclosed that the operator owned and operated 13 daycare centers in the Indianapolis area and directed her employees to submit false claims with the Indiana Department of Education and the Indiana Family Social Services Administration. Between November 1997, and May 2003, the woman fraudulently obtained a total of \$4.5 million with \$3.3 million from the FNS Child and Adult Care Food Program and the remaining \$1.2 million from child care programs funded by HHS and the State of Indiana. In November 2004, the operator pled guilty in federal court to charges of program fraud and money laundering.

Los Angeles Retailer to Pay \$2 Million and Sentenced for Food Stamp Fraud (FNS)

On March 28, 2005, the former owner of a Los Angeles, California authorized retail grocery store was sentenced to serve 32 months in prison, and was ordered to pay approximately \$2 million in restitution. The investigation disclosed that the storeowner failed to report more than \$1.5 million in gross receipts from illegally redeemed food stamps during 1996 and 1997. All income was taxable including income derived from the illegal activities. The storeowner was convicted in October 2004, on charges of food stamp fraud, tax evasion and filing false tax returns.

> March 1, 2005 <

Former Program Official and Borrowers in Puerto Rico Sentenced / Fined for Fraud and False Claims in Disaster Aid; \$1.3 Million in Restitution (FSA)

On February 4, 2005, a former Puerto Rico, FSA Farm Program Chief was sentenced to serve 12 months in prison and fined \$7,500 for devising schemes including setting up fraudulent loans to assist producers to defraud the FSA Disaster Program. Additionally, during January and February 2005, 14 FSA borrowers were sentenced to prison terms ranging from one hour to ten months for submitting false statements to FSA. Thus far,

OIG's work in this case resulted in fines totaling \$96,300 and restitution of \$1.3 million. Trial and further judicial proceedings are underway.

Pennsylvania Food Inspector Pleads Guilty in Theft of Government Funds (FSIS)

On February 17, 2005, a Harrisburg, Pennsylvania, FSIS Food Inspector, pled guilty in U.S. District Court, Middle District of Pennsylvania, to charges of false statements and theft of government funds. During the OIG investigation, the FSIS employee confessed to making numerous false statements from January 2002 through May 2004, on time and attendance worksheets. The false statements resulted in the payroll theft of over \$42,359 from USDA. In January 2005 a criminal complaint was prepared by the U.S. Attorney's Office, Middle District of Pennsylvania, charging the FSIS Inspector with Theft of Public Money. A sentencing date has not been scheduled.

Illinois Warehouse Manager Pleads Guilty to Conspiracy/False Statements Regarding Adulterated Food Products (FSIS)

On February 24, 2005, a Granite City, Illinois, food warehouse manager pled guilty in the U.S. District Court for the Southern District of Illinois to charges of conspiracy and false statements. Around August 2002, the warehouse manager attempted to create false shipping records in order to conceal the illegal boxing and re-labeling of adulterated chicken product. The warehouse was not a licensed, USDA-inspected facility and did not have authority to package or re-label USDA inspected products. The adulterated chicken product was transported to, and ultimately consumed by, Illinois school children. The warehouse manager was indicted in September 2004. Sentencing and additional judicial action is pending.

Pennsylvania Cattle Breeder Pleads Guilty on False Statements, Theft (FSA/RD)

On February 17, 2005, a Mount Carmel, Pennsylvania, cattle breeder pled guilty in U.S. District Court, Middle District of Pennsylvania, to charges of false statements and theft of government funds. The breeder operated a cattle-breeding business and was a borrower of both FSA and RD programs. The OIG investigation determined that he used his business in 1999 to convert \$109,000 of RD funds for his personal use. In January 2005, a criminal complaint was prepared by the U.S. Attorney's Office, Middle District of Pennsylvania. A sentencing date has not been scheduled.

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